

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Financial Statements
June 30, 2014

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Financial Statements
For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Russian River Fire Protection District

I have audited the accompanying financial statements of the governmental activities and major fund of the Russian River Fire Protection District (District) as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Russian River Fire Protection District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2015 on my consideration of District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 25 through 27, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Larry D. Johnson
Certified Public Accountant

May 25, 2015
Santa Rosa, CA



RUSSIAN RIVER FIRE PROTECTION DISTRICT

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MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the District's financial performance provides an overview of financial activities for the year ending June 30, 2014. Please read this in conjunction with the financial statements as listed in the Table of Contents.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$1,917,723 as of June 30, 2014. Of this amount, \$1,223,431 represents its depreciated cost of Capital Assets less related debt. The District has an unrestricted equity of \$694,292 carried forward to future years.
- The District decreased its net assets for the year by \$275,711 per our "Statement of Activities". Since the "Statement of Revenues, Expenditures and Changes in Fund Balances" uses a different accounting method, there was a decrease in Fund Balances of \$295,762.
- The District still has an interest only CDBG \$133,950 loan with a balloon payment on 10/1/2014. However, this loan was forgiven after year end.
- The District purchased equipment during the year for \$270,085.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8-9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

REPORTING THE DISTRICT'S ONLY MAJOR FUND (FUND FINANCIAL STATEMENTS)

Government Funds:

The District's services are reported in its only major governmental fund (the general fund). This fund will focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation in a separate statement.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 14-24 of this report.

Other Information:

We also report on "Required Supplementary Information". This consists of a budget to actual comparison. Notes on budgetary procedures are provided for this report. This information begins on page 25.

THE DISTRICT AS A WHOLE

SUMMARIZED STATEMENT OF NET POSITION

	<u>6/30/2014</u>		<u>6/30/2013</u>	
Assets:				
Cash	\$ 728,120	32%	\$ 979,817	39%
Other Current Assets	212,666	9%	241,236	9%
Capital Assets (Net)	<u>1,357,381</u>	<u>59%</u>	<u>1,318,805</u>	<u>52%</u>
	<u>\$ 2,298,167</u>	<u>100%</u>	<u>\$ 2,539,858</u>	<u>100%</u>
Liabilities:				
Other Liabilities	\$ 35,535	9%	\$ 20,040	6%
Long Term Liabilities	<u>344,909</u>	<u>91%</u>	<u>326,384</u>	<u>94%</u>
	<u>\$ 380,444</u>	<u>100%</u>	<u>\$ 346,424</u>	<u>100%</u>
Net Assets:				
Invested in Capital Assets	\$ 1,223,431	64%	\$ 1,184,855	54%
Unrestricted	<u>694,292</u>	<u>36%</u>	<u>1,008,579</u>	<u>46%</u>
	<u>\$ 1,917,723</u>	<u>100%</u>	<u>\$ 2,193,434</u>	<u>100%</u>

A large portion of the District's net assets is their cash at 32%. 59% of total assets are capital assets such as land, building and equipment are used to provide fire protection services to its citizens. These assets are not available for future spending.

We have \$344,909 in long term debt. This amount includes our estimated compensated absences due beyond one year in the amount of \$130,374.

SUMMARY STATEMENT OF ACTIVITIES

	<u>6/30/2014</u>		<u>6/30/2013</u>	
Program Revenues	\$ 621,713	32%	\$ 721,783	32%
General Revenues:				
Property Taxes	1,284,402	67%	1,521,283	66%
Other General Revenues	<u>16,480</u>	<u>1%</u>	<u>39,488</u>	<u>2%</u>
Total Revenues	\$ 1,922,595	<u>100%</u>	\$ 2,282,554	<u>100%</u>
Program Expenses:				
Salaries & Benefits	1,630,506	74%	1,798,009	78%
Operating Expenses	451,606	21%	402,679	18%
Debt Service – Interest	4,019	0%	4,019	0%
Depreciation	<u>112,175</u>	<u>5%</u>	<u>90,202</u>	<u>4%</u>
Total Expenses	2,198,306	<u>100%</u>	2,294,909	<u>100%</u>
Decrease in Net Position	\$ (275,711)		\$ (12,355)	
Net Position – Beginning of Year	<u>2,193,434</u>		<u>2,205,789</u>	
Net Position – End of Year	\$ <u>1,917,723</u>		\$ <u>2,193,434</u>	

The majority of the District's revenues comes from property taxes. This amounts to 67% (67% for 6/30/13) of the total which includes the special tax.

Program expenses include depreciation in this statement which totals \$112,175 (\$90,202 for 6/30/13) (similar to a profit making entity). Overall, expenses decreased by \$96,603 from the prior year.

GOVERNMENTAL FUNDS

The District has one governmental fund, its' General Fund. The focus on governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the District's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available for spending in the future.

SUMMARIZED GENERAL FUND BALANCE SHEET

Assets:	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Difference</u>
Cash	\$ 728,120	\$ 979,817	\$ (251,697)
Accounts Receivable – Flat Charges	35,597	55,295	(19,698)
Accounts Receivable – Ambulance	177,069	185,941	(8,872)
Total Assets	<u>\$ 940,786</u>	<u>\$ 1,221,053</u>	<u>\$ (280,267)</u>
Liabilities & Fund Balances:			
Liabilities	\$ 35,535	\$ 20,040	\$ 15,495
	35,535	20,040	15,495
Fund Equity:			
Unreserved Fund Balance	905,251	1,201,013	(295,762)
	<u>905,251</u>	<u>1,201,013</u>	<u>(295,762)</u>
Total Liabilities & Fund Equity	<u>\$ 940,786</u>	<u>\$ 1,221,053</u>	<u>\$ (280,267)</u>

SUMMARIZED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND

Revenues:	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Difference</u>
Property Taxes	\$ 1,284,402	\$ 1,521,283	\$ (236,881)
Ambulance Fees	616,126	719,246	(103,120)
Federal Grant	-	-	-
Insurance Refunds	53,249	3,118	50,131
Proceeds From Disposition of Fixed Asset	55,000	-	55,000
Intergovernmental Revenues	6,951	6,901	50
Interest Income	2,904	6,911	(4,007)
Other Revenues	23,297	25,095	(1,798)
	<u>\$ 2,041,929</u>	<u>\$ 2,282,554</u>	<u>\$ (240,625)</u>
Expenditures:			
Salaries & Benefits	1,616,000	1,777,116	(161,116)
Operating Expenses	451,606	402,679	48,927
Capital Outlay	270,085	191,916	78,169
	<u>2,337,691</u>	<u>2,371,711</u>	<u>(34,020)</u>
Excess of Revenues Over Expenditures:	<u>\$ (295,762)</u>	<u>\$ (89,157)</u>	<u>\$ (206,605)</u>

The above summarizations show combined fire and ambulance services. The negative \$(295,762) excess of Expenditures over Revenues indicates an downward, negative trend.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Administration

The District has a CDBG (Community Development Block Grant) loan in the amount of \$133,950. Interest and principal is payable in a balloon payment, all due October 1, 2014, with accrued interest of \$78,393. No principal payment nor interest payments were made during the year. This loan plus accrued interest were forgiven after the year end.

Capital Assets

The District purchased \$270,085 in equipment during the year. This included the following:

Ferrera Engine	\$ 263,540	(Does not include \$180,000 deposit from last year).
2 Heaters	<u>6,545</u>	
	<u>\$ 270,085</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The District made numerous budgetary changes during the year. The most significant changes are separately stated below and reflect changing conditions necessitating the change. The primary change was due to an anticipated increase in property taxes.

	<u>Budgeted Amounts</u>		<u>Difference</u>
	<u>Original @ 7/1/13</u>	<u>Final @ 6/30/14</u>	
Revenues:			
Property Taxes	\$ 1,248,600	\$ 1,248,600	\$ -
Ambulance Services	700,000	700,000	-
Intergovernmental Revenues	7,000	7,000	-
Interest Income	10,000	10,000	-
Insurance Refunds	1,000	1,000	-
Reimbursements	2,000	2,000	-
Miscellaneous Income	<u>73,150</u>	<u>73,150</u>	-
Total Revenues	2,041,750	2,041,750	-
Expenditures:			
Salaries & Benefits	1,670,800	1,723,800	(53,000)
Operating Expenses	444,600	471,200	(26,600)
Debt Service	-	-	-
Capital Assets	210,000	220,000	(10,000)
Transfers	-	-	-
Contingencies	-	<u>160,290</u>	<u>(160,290)</u>
Total Expenditures	2,325,400	2,575,290	(249,890)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (283,650)</u>	<u>\$ (533,540)</u>	<u>\$ (249,890)</u>

ECONOMIC FACTORS AND 14/15 BUDGET

The District is anticipating a \$283,700 budgeted deficit for the 6/30/15 year (Excess of Revenues over Expenditures).

Revenues:	<u>Budget 14/15 Year</u>	<u>Actual @ 6/30/14</u>	<u>Difference</u>
Property Taxes	\$ 1,312,500	\$ 1,284,402	\$ 28,098
Ambulance Services	650,000	616,126	33,874
Intergovernmental Revenues	7,000	6,951	49
Interest Income	2,000	2,904	(904)
Services	2,000	5,587	(3,587)
Miscellaneous Income	<u>84,700</u>	<u>125,959</u>	<u>(41,259)</u>
Total Revenues	2,058,200	2,041,929	16,271
Expenditures:			
Salaries & Benefits	1,601,600	1,616,000	(14,400)
Operating Expenses	428,800	451,606	(22,806)
Debt Principal and Interest	30,000	-	30,000
Fixed Asset Purchases	261,500	270,085	(8,585)
Contingencies	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	2,341,900	2,337,691	4,209
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (283,700)</u>	<u>\$ (295,762)</u>	<u>\$ 12,062</u>

The 14/15 Budget reflects a close approximation to last year's actual activity.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens and taxpayers with a general overview of our finances and to show the accountability for the money received. If you have any questions about this report or need additional financial information, contact the District's office at (707) 869-9089.

Board of Directors

**RUSSIAN RIVER FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
June 30, 2014**

ASSETS:	
Cash in County Treasury	\$ 707,270
Cash-Other	20,850
Accounts Receivable- Flat Charges	35,597
Accounts Receivable- Ambulance	177,069
Capital Assets:	
Land	25,570
Buildings and Improvements	913,673
Equipment	328,342
Mobile Equipment	1,086,953
Office	37,183
	<u>2,391,721</u>
Less: Accumulated Depreciation	(1,034,340)
Total Capital Assets, Net of Accumulated Depreciation	<u>1,357,381</u>
Total Assets	<u><u>\$ 2,298,167</u></u>
LIABILITIES	
Accounts Payable	\$ 35,535
Non-Current Liabilities:	
Interest Payable- Due Within One Year	77,391
Notes Payable- Due Within One Year	133,950
Compensated Absences- Due Beyond One Year	130,374
Other Current Liability	3,194
Total Liabilities	<u><u>380,444</u></u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,223,431
Unrestricted	694,292
Total Net Position	<u><u>\$ 1,917,723</u></u>

The accompanying notes are an integral part of the financial statements

**RUSSIAN RIVER FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014**

Program Expenses	
Public Safety- Fire Protection	
Salaries & Benefits	\$ 1,630,506
Operating Expenses	451,606
Debt Service- Interest	4,019
Depreciation	112,175
Total Program Expenses	<u>2,198,306</u>
Program Revenues	
Ambulance Fees	616,126
Other Services	5,587
Total Program Revenues	<u>621,713</u>
Net Program Expenses	(1,576,593)
General Revenues	
Property Taxes	1,284,402
Intergovernmental Revenues	6,951
Interest Income	2,904
Insurance Reimbursements	53,249
Miscellaneous Income	17,710
Loss on Disposition of Ferrera Truck	(49,050)
Loss on Junked Assets	(15,284)
Total General Revenues	<u>1,300,882</u>
Increase in Net Position	(275,711)
Net Position, Beginning of Year	<u>2,193,434</u>
Net Position, End of Year	<u><u>\$ 1,917,723</u></u>

The accompanying notes are an integral part of the financial statements

**RUSSIAN RIVER FIRE PROTECTION DISTRICT
BALANCE SHEET- GOVERNMENTAL FUND TYPE
June 30, 2014**

	General Fund
ASSETS:	
Cash in County Treasury	\$ 707,270
Cash in Banks	20,850
Accounts Receivable- Flat Charges	35,597
Accounts Receivable- Ambulance (Net)	177,069
Total Assets	\$ 940,786
 LIABILITIES & FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 35,535
Total Liabilities	35,535
 Fund Balance:	
Unassigned	905,251
Total Fund Balances	905,251
 TOTAL LIABILITIES & FUND BALANCES	 \$ 940,786

The accompanying notes are an integral part of the financial statements

RUSSIAN RIVER FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND TYPE TO THE STATEMENT OF NET POSITION
June 30, 2014

TOTAL FUND BALANCES- GOVERNMENTAL FUND **\$ 905,251**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the general fund. These assets consist of:

Capital Assets:

Land	\$ 25,570	
Buildings and Improvements	913,673	
Equipment	328,342	
Mobile Equipment	1,086,953	
Office	37,183	
	<u>2,391,721</u>	
Less: Accumulated Depreciation	<u>(1,034,340)</u>	
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,357,381</u>	1,357,381

Long- Term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund. These consist of:

Notes Payable	(133,950)
Interest Payable in a Balloon Payment (CDBG loan)	(77,391)
Compensated Absences- Due Beyond One Year	(130,374)
Other Long Term Liabilities	<u>(3,194)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,917,723**

The accompanying notes are an integral part of the financial statements

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Fund Type
For The Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 1,284,402
Ambulance Fees	616,126
Intergovernmental Revenues	6,951
Interest Income	2,904
Fire Control Services	5,587
Proceeds from Disposition of Fixed Asset	55,000
Insurance Reimbursements	53,249
Miscellaneous Income	17,710
Total Revenues	<u>2,041,929</u>
EXPENDITURES	
Salaries & Benefits	1,616,000
Operating Expenses	451,606
Equipment Purchases	270,085
Total Expenditures	<u>2,337,691</u>
Excess (Deficiency) of Revenues Over Expenditures	(295,762)
Fund Balance, Beginning of Year	<u>1,201,013</u>
Fund Balance, End of Year	<u><u>\$ 905,251</u></u>

The accompanying notes are an integral part of the financial statements

**RUSSIAN RIVER FIRE PROTECTION DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TYPES
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014**

NET CHANGE IN FUND BALANCES- GOVERNMENTAL FUND TYPE **\$ (295,762)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. Differences are as follows:

Expenditures for capital assets	270,085
Current year depreciation expense	(112,175)
Proceeds on Trade in for new Engine	(55,000)
Loss on Disposition of Old Ferrera Engine	(49,050)
Loss on Junked Assets	(15,284)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, as follows:

Compensated Absences	(23,210)
Interest Payable on CDBG Loan	(4,019)
Other Long Term Liabilities (now all current)	8,704
	8,704

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (275,711)**

The accompanying notes are an integral part of the financial statements

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements

June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Russian River Fire Protection District was founded by a vote of the electorate and was formed by resolution of the Board of Supervisors of the County of Sonoma as a fire protection district under and pursuant to provisions of the Health and Safety Code of the State of California. The District serves taxpayers and residents in a specific unincorporated area of the County of Sonoma, the boundaries of which are set by resolution of the Board of Supervisors. The District's governmental powers are exercised through a Board of Directors.

B. Significant Accounting Policies

The basic financial statements of the Russian River Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements

June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, then restricted resources as they are needed.

2. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for its governmental funds. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-wide financial statements. The District's General Fund is its only major governmental fund.

Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The District reports the following major governmental fund:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Mobile Equipment	20
Other Fire Equipment	10-15
Office	5

4. Net Position

Net position is classified into three components – 1) invested in capital assets, net of related debt (if any), 2) restricted (if any), and 3) unrestricted. These components are defined as follows:

- Invested in capital assets net of related debt (if any) – This component of net position groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction or improvement of these assets.
- Restricted net assets (if any) – This component consists of external constraints or restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component represents the net position of the entity, not restricted for any project or other purpose.

5. Fund Balance

In the fund financial statements, governmental funds report fund balance using the classifications listed in *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*. Initial distinction is made in reporting fund balance information identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

- a. *Restricted Fund Balance* – The portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. *Committed Fund Balance* – The portion of fund balance whose use is subject to formal action of the government's highest level decision making authority. These commitments remain binding unless changed or removed by formal action of the Board as the formal authority that imposed the constraint. The underlying action that imposed, modified, or removed the limitation would need to occur no later than the close of the reporting period.
- c. *Assigned* – The portion of fund balance that is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- d. *Unassigned* – The residual amount of all general fund spendable resources not contained in the other classifications.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

7. Vacation and Sick Leave

Unpaid (accrued) vacation is recorded at the time the benefits are earned. Accrued vacation is paid upon retirement or separation from employment, and is included as a liability.

Accrued sick leave accrued prior to 7/2/07 (called "Banked Sick Hours") is available for PERS retirement or for employee use only. This is not included as a liability to the District. Sick Leave accrued after 7/2/07 can be reimbursed to the employee or applied towards PERS retirement. This accrued sick time is recorded as a liability to the District (according to years of completed service). Upon termination of service, the following schedule lists the liability to the District for reimbursement:

4 Years of Completed Service	20%
6 Years of Completed Service	30%
8 Years of Completed Service	40%
10 Years of Completed Service	50%

8. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The District's budgetary information was amended during the year by resolution of the Board of Directors.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 2 —CASH AND INVESTMENTS

A. Investment in the Sonoma County Treasurer's Investment Pool

The District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

As of June 30, 2014, the District's share of the change in fair value of investments was not material.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2014, approximately 32% of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4.0% had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 2 — CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- ⇒ The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

- ⇒ The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 6/30/13 Sonoma County CAFR (the last one available).

Cash on Hand and In Banks

Cash and Investments not included in pooled cash is as follows:

Checking Account – Ambulance	\$ 753
Checking Account – Payroll	18,788
Checking Account – Household Account	809
Cash on Hand	500
	<u>\$ 20,850</u>

Bank accounts are subject to FDIC insurance for amounts up to \$250,000.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements

June 30, 2014

NOTE 3—PROPERTY TAXES

The County of Sonoma is responsible for assessing, collecting, and distributing property taxes in accordance with state law. Liens on real property are established on January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively.

Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

On June 29, 1993, the Board of Supervisors adopted the "Teeter" Alternate Method of Property Tax Allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

NOTE 4—CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Reclassifications/ Retirements</u>	<u>Balance</u> <u>6/30/2014</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 25,570	\$ -	\$ -	\$ 25,570
Ferrara Deposit	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	205,570	-	(180,000)	25,570
Capital Assets, Being Depreciated:				
Building & Improvements	939,952	-	(26,279)	913,673
Equipment	521,159	6,545	(199,362)	328,342
Mobile Equipment	1,016,249	443,540	(372,836)	1,086,953
Office	<u>70,032</u>	<u>-</u>	<u>(32,849)</u>	<u>37,183</u>
Total Capital Assets, Being Depreciated	2,547,392	450,085	(631,326)	2,366,151
Less: Accumulated Depreciation	<u>(1,434,157)</u>	<u>-</u>	<u>399,817</u>	<u>(1,034,340)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,113,235</u>	<u>450,085</u>	<u>(231,509)</u>	<u>1,331,811</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,318,805</u>	<u>\$ 450,085</u>	<u>\$ (411,509)</u>	<u>\$ 1,357,381</u>

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements

June 30, 2014

NOTE 4—CAPITAL ASSET ACTIVITY (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Public Safety-Fire Protection/Ambulance	\$ 100,614
Total Depreciation Expense – Governmental Activities	<u>\$ 100,614</u>

NOTE 5—EMPLOYEES' RETIREMENT PLAN

- a) Plan Description -The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and local resolution. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento – CA 95814.

- b) The District has two plans: The "Safety Plan" and the "Miscellaneous Plan". The District is required to contribute at an actuarially determined rate; the 13/14 rate was 20.742% for the Safety Plan and a rate of 10.781% for the Miscellaneous Plan. The District also pays the 9% member contribution for all of its full-time permanent safety employees and 7% for miscellaneous employees as negotiated in lieu increases (began 1988/89). The contribution requirements of plan members and the District are established and may be amended by PERS.

- c) Annual Pension Cost: For June 30, 2014, the District's annual pension cost of \$252,537 for PERS was equal to the District's required actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) an overall payroll growth assumption of 3.0%. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of a short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of project payroll on a closed basis.

THREE-YEAR TREND INFORMATION FOR PERS – ALL PLANS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 219,310	100%	\$ 0
6/30/13	\$ 647,987	100%	\$ 0
6/30/14	\$ 252,537	100%	\$ 0

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 5—EMPLOYEES' RETIREMENT PLAN (Continued)

FUNDED STATUS OF THE PLAN

With the implementation of risk pooling, stand alone valuation reports for the District are not available. PERS provides the District with a valuation report for the entire state, however.

NOTE 6—LONG-TERM DEBT

Activity of the District's Long-Term debt is as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Current Portion</u>
Note – CDBG Loan	\$ 133,950	\$ -	\$ -	\$ 133,950	\$ -
Subtotal	133,950	-	-	133,950	-
Compensated Absences	107,164	23,210	-	130,374	-
Other Long Term Liabilities	11,898	-	8,704	3,194	3,194
Total Debt	<u>\$ 253,012</u>	<u>\$ 23,210</u>	<u>\$ 8,704</u>	<u>\$ 267,518</u>	<u>\$ 3,194</u>

- a) The Community Development Block Grant Loan (CDBG) in the amount of \$133,950 is payable in full (balloon) in 17 years with interest accruing at 3%.

The Note payment schedule is as follows:

<u>Community Dev. Block Grant Loan</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012/13	\$ -	\$ -	\$ -
2013/14	-	-	-
2014/15	133,950	78,393	212,343
Total	<u>\$ 133,950</u>	<u>\$ 78,393</u>	<u>\$ 212,343</u>

As per Note 12, this loan was forgiven along with the accrued interest.

b) Other Long Term Liabilities

As per an agreement with a retired employee, the retiree is using his early retirement as well as his accrued vacation, accrued holiday and accrued compensatory time to pay for monthly health insurance. There is no provision for increased benefits as the liability is just used until depleted. The original liability was \$38,822.

Liability at 6/30/13	\$ 11,898
Payments During 13/14	<u>(8,704)</u>
Liability at 6/30/14	<u>\$ 3,194</u>

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7—NEW SPECIAL TAX

The methodology for computing the tax has changed as follows:

<u>Use Code Summaries</u>	<u>Rate Per APN</u>
Vacant	\$ 70
Single Family Residential	\$ 140
Multifamily Residential	\$ 140.00 plus \$70 for each additional unit
Agricultural	\$ 175
Commercial/Industrial	\$ 350

NOTE 8—ACCOUNTS RECEIVABLE

The District has two categories of Accounts Receivable

- a) Flat charges collected are apportioned to Russian River Fire Protection District to supplement property taxes collected for operating costs. Not all of the assessments are collected as of June 30, 2014; therefore, the remainder of the uncollected assessments are considered flat charges receivable. \$ 35,597

- b) The District also reports its ambulance receivables of \$379,626 which are reported net of the allowance for doubtful accounts and write downs of \$202,557. \$ 177,069

NOTE 9—INSURANCE

Russian River Fire Protection District receives general, public officials' errors and omissions, professional automobile, special events, and host and liquor liability as a member of the Fire Agencies Insurance Risk Authority (FAIRA). The District is also a member of the Fire Agency Self-Insurance System (FASIS) through which it receives Workers' Compensation coverage.

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting, and defending any civil action brought against the officers of the system.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 10—SERVICES PROVIDED BY FORESTVILLE FIRE PROTECTION DISTRICT

The District entered into an Agreement with Forestville Fire Protection District on June 8, 2011 to provide Fire Chief services to the District. The fee is 50% of the Chief's compensation package presently at \$6,101 per month. Although the Agreement is for seven years, various conditions can cause termination of the Agreement as set forth in Section 6 of the Agreement.

The Agreement was terminated on 8/5/13 and subsequently reinstated 11/15/13 under a new contract.

NOTE 11—ADMINISTRATIVE SERVICES PROVIDED TO FORESTVILLE FIRE PROTECTION DISTRICT

The District entered into an Agreement with Forestville Fire Protection District per Resolution 10/11-05 and dated 10/12/10. Russian River Fire Protection District provides financial and administrative support services at a rate of \$47.38 for up to 8 hours per week.

NOTE 12—SUBSEQUENT EVENT – FORGIVEN CDBG LOAN

As of 10/24/14, via the Sonoma County Community Development Commission, the CDBG loan has been forgiven along with the accrued interest. A Deed of Reconveyance, releasing the property from this encumbrance has been recorded.

The CDC requires a deed restriction to be in place to ensure notification to the CDC in case of a future change in use of the property. This recorded document, titled an Agreement Regarding Federally funded Property Improvement stipulates that in the event the District chooses to sell or change the use of the property in future years, the Commission must be reimbursed in the amount of the then-current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of and improvements to the property. The District shall also continue to abide by all other applicable CDBG regulations.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual - General Fund
For The Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,248,600	\$ 1,248,600	\$ 1,284,402	\$ 35,802
Ambulance Services	700,000	700,000	616,126	(83,874)
Intergovernmental Revenues	7,000	7,000	6,951	(49)
Interest Income	10,000	10,000	2,904	(7,096)
Fire Control Services	1,000	1,000	5,587	4,587
Proceeds from Disposition of Fixed Asset	-	-	55,000	55,000
Insurance Reimbursements	1,000	1,000	53,249	52,249
Miscellaneous Income	74,150	74,150	17,710	(56,440)
Total Revenues	2,041,750	2,041,750	2,041,929	179
EXPENDITURES				
Salaries & Benefits	1,670,800	1,723,800	1,616,000	107,800
Operating Expenses	444,600	471,200	451,606	19,594
Equipment Purchases	210,000	220,000	270,085	(50,085)
Contingencies	-	160,290	-	160,290
Total Expenditures	2,325,400	2,575,290	2,337,691	237,599
Excess (Deficiency) of Revenues Over Expenditures	(283,650)	(533,540)	(295,762)	237,778
Fund Balance, Beginning of Year			1,201,013	
Fund Balance, End of Year			\$ 905,251	

The accompanying notes are an integral part of the financial statements

**RUSSIAN RIVER FIRE PROTECTION DISTRICT
Notes to Required Supplementary Information**

June 30, 2014

NOTE 1—BUDGETARY INFORMATION

Annual budgets are adopted on a non-GAAP basis for all governmental funds. All annual appropriations lapse at fiscal year-end.

Before May 31, the proposed budget is presented to the board of directors for review. The board holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by character and subobject. Transfers of appropriations between characters require the approval of the board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the character level. The board made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District had no encumbrances outstanding at June 30.

RUSSIAN RIVER FIRE PROTECTION DISTRICT
Required Supplementary Information – Schedule of Funding Progress

June 30, 2014

SAFETY 2.0% @ 50 RISK POOL

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	\$ 4,726,917	\$ 3,429,748	\$ 1,297,169	72.6%	\$ 639,678
06/30/2012	\$ 4,909,247	\$ 3,398,725	\$ 1,510,522	69.2%	\$ 592,102

MISCELLANEOUS PLAN 2% @ 55 RISK POOL

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	\$ 302,965	\$ 223,423	\$ 79,542	73.8%	\$ 65,000
06/30/2012	\$ 324,253	\$ 229,499	\$ 94,754	70.8%	\$ 64,948

Notes:

- 1) The most recent information available is 6/30/2012.